82-1223

No.

Supreme Court, U.S.
FILED
JAN 19 1983
ALEXANDER L. STEVAS

In the Supreme Court of the United States

October Term, 1982

MINNESOTA MINING AND MANUFACTURING COMPANY,
Petitioner,

vs.

WALTER S. BLUME and THE ELECTRODYNE COMPANY, INC.,
Respondents.

ON PETITION FOR CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

PETITION FOR CERTIORARI

THOMAS V. KOYKKA
Counsel of Record
ARTER & HADDEN
1144 Union Commerce Building
Cleveland, Ohio 44115
(216) 696-1144

STANLEY G. DELAHUNT
TERRYL K. QUALEY
2501 Hudson Road
St. Paul, Minnesota 55101
(612) 733-1508

Attorneys for Petitioner, Minnesota Mining and Manufacturing Co.

January 13, 1983

THE GATES LEGAL PUBLISHING CO., CLEVELAND, OHIO—TEL. (216) 621-5647

No.

In the Supreme Court of the United States

October Term, 1982

MINNESOTA MINING AND MANUFACTURING COMPANY,
Petitioner,

vs.

WALTER S. BLUME and THE ELECTRODYNE COMPANY, INC.,
Respondents.

ON PETITION FOR CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

QUESTIONS PRESENTED

This case proposes for review two questions arising from the judgment of District Judge Porter in a patent case in the Southern District of Ohio, affirmed by the United States Court of Appeals for the Sixth Circuit by Judges Jones and Brown and District Judge White, *viz.*:

I. Whether one who sells patents (granted on his inventions related to magnets) for substantial money (in this case $2,267,000 of which $566,800 was paid to the inventor) is estopped to assert after the sale that one of the patents is worthless, and the other, although valuable, is not infringed because he used a "secret process," found by both courts below, to be the patented process, and that he is free to produce and sell magnets covered by the claims thereof.

II. Whether a patent may be adjudged "obvious" (and hence no invention) if each of the elements critical to the invention, but not the spatial arrangement between them, is to be found in the prior art, when the statute, 35 U.S.C. §103, requires as a test of "obviousness" that *"the subject matter as a whole* would have been obvious at the time the invention was made to a person having ordinary skill in the art * * *."[1]

---

1. Emphasis supplied here and elsewhere in the petition.

RULE 28.1 STATEMENT

Subsidiaries and affiliates of Minnesota Mining and Manufacturing Company

U.S.:

Cable Networks Incorporated
Eastern Heights State Bank of Saint Paul
Optical Sciences Group, Inc.
3M Data Trak Services, Inc.

Partnership with:

Telefax, Inc.

Foreign:

Neotechnic Engineering Limited	(U.K.)
P.T. 3M Indonesia	(Indonesia)
Marupi-Riker Company Ltd.	(Japan)
Sumitomo 3M Limited	(Japan)
Yamagata 3M Limited	(Japan)
3M Business Systems Limited	(Japan)
3M Health Care Limited	(Japan)
3M Korea Limited	(Korea)
Minnesota Nigeria Limited	(Nigeria)
Etkins Holdings (Pty.) Ltd.	(So. Africa)

TABLE OF CONTENTS

QUESTIONS PRESENTED I
RULE 28.1 STATEMENT III
TABLE OF CONTENTS V
OPINIONS 1
JURISDICTION TO REVIEW IN THIS COURT 1
STATUTE INVOLVED 2
STATEMENT OF THE CASE 2
—Patents Involved 2
—Claims in Issue 3
—Acquisition of the Patent 3
—Blume Is Back in Business 4
REASONS FOR GRANT OF WRIT—
I. One Cannot Sell a Patent, and After Pocketing the Consideration He Has Never Offered to Return, Assert the Patent He Sold Is Worthless, Leaving Him Free to Make and Sell Products Covered by the Patent He Sold 5
II. A Patent May Not Be Adjudged "Obvious" on the Ground Its Separate Elements May Be Found in the Prior Art; the Test of "Obviousness" Requires That the Subject Matter As a Whole Be Obvious at the Time the Invention Was Made to a Person Having Ordinary Skill in the Art 6
CONCLUSION 10
APPENDIX (SEPARATELY PRINTED)
Opinion of the Court of Appeals for the Sixth Circuit (July 7, 1982) 684 F.2d 1166, 215 U.S.P.Q. 585 ..... A1

Opinion of District Court Vacating Temporary Restraining Order (September 2, 1976) A16
Order of District Court on Bifurcated Trial (June 1, 1978) A23
Findings of Fact and Conclusions of Law of District Court on Bifurcated Trial (June 1, 1978) 533 F. Supp. 443 ..... A24
Order of District Court Holding '675 Patent "Obvious" (August 7, 1979) A84
District Court Findings of Fact and Conclusions of Law (August 7, 1979) 533 F. Supp. 521 ..... A87
Order of District Court for Judgment (August 22, 1980) A146
Judgment of District Court (August 22, 1980) A147
Judgment Entry of the Court of Appeals for the Sixth Circuit (July 7, 1982) A148
Order of the Court of Appeals for the Sixth Circuit Denying Rehearing (October 21, 1982) A150

TABLE OF AUTHORITIES

Cases

Dickerson v. Colgrove (1879), 100 U.S. 578 5
Lear, Inc. v. Adkins (1959), 395 U.S. 653 5
Reeves Instrument Corp. v. Beckman Instruments, Inc. (9th Cir., 1971), 444 F.2d 263, *certiorari denied* (1971), 404 U.S. 951 8
Reiner v. I. Leon Co., Inc. (2d Cir., 1960), 285 F.2d 501, *certiorari denied* (1961), 366 U.S. 920, *rehearing denied* (1961), 366 U.S. 978 7

Statutes

28 U.S.C. §1254(1) 1
35 U.S.C. §103 ..... 2, 3, 7

OPINIONS

The Opinion of the United States Court of Appeals for the Sixth Circuit reported in 684 F.2d 1166 and 215 U.S.P.Q. 585 is reproduced in the Appendix to the petition, page A1.

The Opinions of the District Court are reproduced in the Appendix to the petition as follows:

Opinion, September 2, 1976, vacating a Temporary Restraining Order, Appendix page A16;

Order, June 1, 1978, finding certain issues against respondents, Appendix page A23;

Findings of fact and conclusions of law on the bifurcated trial, June 1, 1978, Appendix page A84;

Order, August 7, 1979, holding the '675 patent "obvious," Appendix page A87;

Findings of fact and conclusions of law, August 7, 1979, holding the '675 patent "obvious," Appendix page A146;

Order, August 22, 1980, Appendix page A147;

Judgment, August 22, 1980, Appendix page A150.

JURISDICTION TO REVIEW IN THIS COURT

The Judgment sought to be reviewed, Appendix page A148, is dated and was entered July 7, 1982; rehearing applied for by Petitioner Minnesota Mining and Manufacturing Company was denied October 21, 1982, Appendix page A150.

This Court has jurisdiction to review under 28 U.S.C. §1254(1).

STATUTE INVOLVED

Whether the courts below rightly held the '675 magnet patent "obvious" turns on 35 U.S.C. §103. It makes invalid a patent (the language particularly relevant being set in italics) if:

> "the *subject matter as a whole* would have been obvious at the time the invention was made *to a person having ordinary skill in the art* to which said subject matter pertains."

STATEMENT OF THE CASE

This case concerns the discovery of a magnet with greatly improved properties and "twice the magnetic energy of bonded magnets." (App. to Pet. A3, A119.) It is molded, flexible, and consists of magnet particles embedded in a malleable plastic, permitting machining and use in a variety of products.

The discovery opened a vast new market for such magnets. They have a special use in small electric motors such as those in household appliances, and in automobiles, to power, for example, windshield wiper pump motors, fan motors, clock motors and the like. A.-361-262, A.-1424. As put by the district court, "By one estimate magnets and magnetism have an impact on our economy equivalent to about 1-1/2% of the Gross National Product * * *." App. to Pet. A24.)

—Patents Involved

Two patents are involved but only one comes to the Court on this Petition for Certiorari, namely:

U.S. Patent 3,235,675 on the new magnet, held invalid for "obviousness" under 35 U.S.C. §103.

A second patent needs to be mentioned for the light it casts on the '675 patent although it, having been held valid and infringed, is not brought to the Court on this Petition, namely:

U.S. Patent 2,999,275 on the process of making the new magnet, held valid and infringed. This process the Court found "proved to be the first commercially practicable method of orienting the particles. The high energy bonded magnet created by the '275 process became a great commercial success." (App. to Pet. A3, A91.)

—Claims in Issue

Claims 8, 9 and 10 of the '675 patent were in issue. All were held "obvious" and, therefore, invalid. App. to Pet. A127. Claim 8, which is typical, calls for:

"A permanent magnet material comprising a dispersion of particles of a permanent magnet material in a non-magnetic matrix, a substantial portion of said particles having two substantially parallel opposed faces the distance between which is no greater than the dimension across said faces." A.-979.

—Acquisition of the Patent

A number of patents, including the two above-mentioned, were granted to Respondent Blume. He assigned them to Leyman Corporation of Cincinnati where he was manager of the Magnetics Division. App. to Pet. A25, A29.

On September 30, 1967, Minnesota Mining and Manufacturing Company bought from Blume and Leyman Cor-

poration the patents in suit and manufacturing assets for $2,267,000 of which Blume personally received $566,800. These payments they retain. A.-285, A.-700.

—Blume Is Back in Business

Blume honored the patents for a time following their purchase by Minnesota Mining and Manufacturing Company. App. to Pet. A31. In June, 1975, his other business ventures having failed, Blume with Electrodyne Company, of which he is president and principal owner, resumed making and selling magnets covered by the patents he sold. When sued by Minnesota Mining and Manufacturing Company for infringement, Blume claimed he was not infringing either patent, and besides the '675 patent was worthless, and the '275 patent, although valuable, he did not infringe because he claimed he was, in lieu of the process of that patent, using a "trade secret process". This claim both courts below rejected. He was, in his "secret process," practicing the process of the '275 patent. App. to Pet. A7-A8, A128, A132-A136, A144.

REASONS FOR GRANT OF WRIT

This Court has never had a case quite like this one.

It brings here issues of first impression and of high importance.

I. ONE CANNOT SELL A PATENT, AND AFTER POCKETING THE CONSIDERATION HE HAS NEVER OFFERED TO RETURN, ASSERT THE PATENT HE SOLD IS WORTHLESS, LEAVING HIM FREE TO MAKE AND SELL PRODUCTS COVERED BY THE PATENT HE SOLD.

In *Lear, Inc., v. Adkins* (1959), 395 U.S. 653, this Court held one who takes a *license* under a patent is not estopped to challenge the validity of the licensed patent.

It can, to be sure, be argued that the rule that allows the *licensee* to attack the patent should apply also to one who *sells* a patent, and, while retaining the money collected for the patent, claims he sold nothing because the patent is invalid. Reflection, surely, must show that the quality of the act in the one case is very much different from the quality of the act in the other.

One can understand the public interest in allowing the *licensee* to attack the patent; however, there is no public interest in protecting the cheat. The different public policy that then applies was never better stated than by Justice Swayne, speaking for the Court in *Dickerson v. Colgrove* (1879), 100 U.S. 578, holding, in a different but comparable situation, that one disavowing claims to land in a real estate transaction will not be permitted to undo the disavowal. The Court put it this way (p. 580):

> "The vital principle is that he who by his language or conduct leads another to do what he would not otherwise have done, shall not subject such person to loss or injury by disappointing the expectations upon which he acted. Such a change of position is sternly forbidden. It involves fraud and falsehood, and the law abhors both."

As to all the rest of the world, the sold patent is open to attack. But one who pockets and retains the consideration paid, surely, should be deemed estopped to assert what he sold was worthless.

II. A PATENT MAY NOT BE ADJUDGED "OBVIOUS" ON THE GROUND ITS SEPARATE ELEMENTS MAY BE FOUND IN THE PRIOR ART; THE TEST OF "OBVIOUSNESS" REQUIRES THAT THE SUBJECT MATTER AS A WHOLE BE OBVIOUS AT THE TIME THE INVENTION WAS MADE TO A PERSON HAVING ORDINARY SKILL IN THE ART.

The courts below found the essential elements of the invention, namely the magnetic particles of the required shape, in the prior art, but without any disclosure of their spatial relationship.

The judgment of "obviousness" thus rests upon an inadmissible standard. It rests upon an assumption that it is enough to find an invention "obvious" if it is possible to find its separate elements in the prior art. That is what happened here as the Court of Appeals made clear when it ruled:

> "Since both bonded magnet technology in general and the shape of these particles were revealed by prior art, the district court held that the '675 patent would

be obvious to one of ordinary skill in the prior pertinent art." (App. to Pet. A127.)

No other basis is stated for affirmance on the "obviousness" issue. The Court goes no further than to find that the individual elements of which the patented magnet is constituted—magnet particles of requisite "plate-like" shape in a rubbery matrix—are to be *separately* found in the prior art.

The leap from what the Court found "revealed" about the individual elements to the conclusion of "obviousness" is a big one. The Court nowhere addresses the question whether the prior art makes it "obvious" to produce—as did the inventor who stands to profit by the Court's decision striking down the patent—a *combination* bonded magnet *including* the specially-shaped particles.

If the rule adopted by the court below for determining what is "obvious" few patents—not even the greatest—can survive. It is difficult to imagine any combination patent, the separate elements of which cannot be found in the prior art. It is the disclosure of the spatial relationship of the elements "*as a whole*", as 35 U.S.C. §103 puts it, that makes invention.

To put the matter another way: a lumber yard is not a house even though every stick in the house can be found in the lumber yard.

The rule adopted by the Sixth Circuit puts it at odds with:

The Second Circuit Rule stated in *Reiner v. I. Leon Co., Inc.*, (2d Cir., 1960), 285 F.2d 501, *certiorari denied* (1961), 366 U.S. 929, *rehearing denied* (1961), 366 U.S. 978, by Judge Learned Hand as follows (p. 503):

"It is idle to say that combinations of old elements cannot be inventions; substantially every invention is for such a 'combination': that is to say, it consists of former elements in a new assemblage. All

the constituents may be old, if their new concourse would not 'have been obvious at the time the invention was made to a person having ordinary skill in the art."

The Ninth Circuit Rule stated in *Reeves Instrument Corp. v. Beckman Instruments, Inc.* (9th Cir., 1971), 444 F.2d 263, *certiorari denied* (1971), 404 U.S. 951, by Judge Wright. The Court rejected the argument that (p. 270):

"the claimed invention consists of old elements (amplifiers, potentiometers, switches, etc.) which operate within the claimed combination in the same fashion as they have always operated in the prior art.'"

The argument, the Court held (p. 270):

"suggests an analytical approach to patentability which is directly contrary to the statutory language of 35 U.S.C. §103 which provides that the inquiry into patentability must be drawn toward the 'subject matter as a whole' and not to the elements of a claimed combination and their individual novelty."

In the case at bar, no ordinary workman testified that the relationship discovered by Blume was to be found anywhere in the prior art.

Even so highly qualified an expert as Dr. Gerhard R. Hennig of Gauting, Germany, probably the greatest name in the world of magnets, long a researcher in the same field, familiar with all the prior art, called as a witness by Blume, confessed his surprise:

"A. At first, I didn't believe what he had, and I think I was very rude on him.

Q. In what respect?

A. Oh, I said, 'Come on, I know everything about plastic bonded magnets and I learned from the famous Mr. Baermann. How can you claim such and such a thing?

Q. What was he claiming at the time?

A. Well, he was claiming an energy product of, I think, 1.4 mil, and he even said he could get—to higher, and he was—what else was he claiming, he said he had nearly perfect alignment and—

Q. Did you believe that?

A. No, because I had been working on that, and Mr. Baermann had worked on it. Mr. Baermann had had certain patents, even sold one here, and it did not work the way he described it in the patent. Therefore, I very much doubted the statements made by Mr. Blume and the claims made.

Q. Did he give you a sample of this magnet material?

A. I got a sample, yes.

Q. What did you conclude?

A. I later concluded, when we measured it, that the properties are quite good and were about as good as he said. And since I was making instruments, Mr. Blume had bought one of those instruments, of course, similar, I came to the Leyman Corporation in Cincinnati. I didn't see what he did there, but I was able to add two and two, and so I immediately found out what he did and I looked like a fool.

Q. You didn't believe that you could do it?

A. Yes, now, after that I believed." A-473-474.

CONCLUSION

The decision below (1) carries the law of estoppel far beyond any point to which this Court has applied it and is in obvious conflict with this Court's view of the public interest (2) makes mish mash of the statutory standard for determining what is "obvious," puts the 6th Circuit in conflict with the 2d and 9th Circuits, and imperils substantially every patent heretofore or hereafter granted.

The writ should issue.

Respectfully submitted,

THOMAS V. KOYKKA
Counsel of Record
ARTER & HADDEN
1144 Union Commerce Building
Cleveland, Ohio 44115
(216) 696-1144

STANLEY G. DELAHUNT
TERRYL K. QUALEY
2501 Hudson Road
St. Paul, Minnesota 55101
(612) 733-1508

Attorneys for Minnesota Mining and Manufacturing Company, Petitioner

January 13, 1983